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Tapping into South China's growing U.S. Craft Beer Market

Report Categories:

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Report Highlights:

Summary: Through a series of promotional activities over a two-year period, the U.S. Agricultural Trade Office (ATO) Guangzhou has partnered with the local trade to promote U.S. craft beers. In 2012, ATO Guangzhou created two opportunities for U.S. craft beer brands: 1) promotions in Guangzhou's Canton Tower; and, 2) product placement in the highest-end retail format supermarket in China: Olé supermarkets during a national retail promotion. At one of the participating Guangzhou Olé outlets, U.S. craft beer outsold a number of German, Dutch and Belgian counterparts which has had a much longer presence in the market than U.S. craft beers. To further stimulate U.S. craft beer sales in the 2013 summer season, ATO Guangzhou devised a market promotion calendar that will be carried out by local traders.

In August-October, 2012, ATO Guangzhou organized two major U.S. craft beer events that set the stage for this year's rapid growth in sales:

General Information:

- 1) U.S. Craft Beer Media Promotion:** On August 28, ATO Guangzhou invited a group consisting of 20 lifestyle media outlet representatives (newspaper, television, magazine and online publications), local beer associations, bars/restaurants purchasing managers, and U.S. craft beer distributors to attend a beer tasting and food pairing dinner event. The dinner was funded by the Country Strategy Support Fund and held in the ATO Director's residence. The Marriott China Hotel Guangzhou's Head Chef creatively used several U.S. craft beers as ingredients for a three-course meal. At this dinner, ATO Guangzhou introduced two beer distributors to the Canton Tower management and discussed the best way to introduce U.S. craft beer to several restaurants at the Tower. The U.S. Brewers Association (BA) helped prepare the media kits and made menu suggestions.

Successful outcomes:

- By October (only two months after the dinner), the Canton Tower had entered into a promotion agreement with a local U.S. craft beer distributor to organize an "American BBQ and Octo-beer-fest" at an out-door river-front patio at the base of the Tower. The timing was optimal since October has a seven-day long "golden week" holiday and there is a high number of tourists in Guangzhou and the Pearl River Delta as this holiday is also around the same time as the Canton Fair (which attracts thousands of business people from all around China and the world involved in manufacturing and trade). This was the first time U.S. craft beer was introduced at this iconic South China venue. About \$5,000 dollars worth of beers were sold during the promotion period, not a huge amount; however, it was an opportunity for local as well as many visitors to taste U.S. craft beers for the first time. What's more, these consumers associated U.S. craft beer with the tallest and most glamorous marquis building in Guangzhou. The U.S. craft beer promotion in the Canton Tower was a positive first step in consumer branding efforts that also raised its (U.S. craft beer) profile with the local food and beverage industry.
- One of the participants at the dinner was Sina.com, similar to Twitter it is the online platform for individual netizens to comment on the latest lifestyle trends, share opinions and comment on news developments. Sina.com reported a favorable article about the arrival of U.S. craft beer and the ATO event. Below is the link: <http://eat.gd.sina.com.cn/news/2012-09-10/51282.html>
- Print media coverage included Fine Drink magazine, which is an influential and trusted trade media outlet for wine, alcohol and spirits products. New restaurants and Food and Beverage managers as well as more dedicated food and drink enthusiasts in South China rely on Fine Drink magazine's coverage to learn more about the latest culinary developments and wine pairing information.
- ATO Guangzhou also received a commitment to support U.S. craft beer's entry into the South

China market by the leadership of the Guangzhou and Guangdong Province Beer Association who also attended the event and shared market information on the local beer market and recommended venues that would raise the profile for new market entrants. ATO Guangzhou plans further engagement with both local beer associations as they have been generous with their guidance and would like to hold joint activities in the future.

2) Olé Supermarket American Food Promotion

In September, ATO Guangzhou led a nationwide U.S. food promotion event at the Olé Supermarket chain – the largest high-end retailer in China. ATO staff introduced an experienced distributor to a craft beer trader handling several brands of U.S. craft beers from the states of California and New York. ATO Guangzhou was recently informed by the distributor, the sales in Guangzhou and Shenzhen Olé outlets were exceptional during the past three months. At the Guangzhou Olé outlet, \$3,500-worth of U.S. craft beer was sold in December 2012 alone with several SKUs selling out. December is regarded by the trade as the slowest sales period for beer sales. According to the distributor, the sales figures could have doubled if the importer would have replenished their stocks sooner. The Guangzhou Olé outlet reported to ATO Guangzhou that U.S. craft beer has the fastest sales growth rate and is one of the best selling beers only second to the German Paulaner brand, which entered the China market years ago.

Because of the overwhelming success in Guangzhou, many other Olé outlets in different cities have approached this Guangzhou distributor to follow-up with similar promotions leading into the Lunar New Year holiday. Other super market retail chains have also taken notice and have tried catch on. This is a significant breakthrough U.S. craft beer in China, because:

- Olé is the leading and largest national high-end imported food retailer in China and ATO Guangzhou's work preparing the first national promotion featuring U.S. craft beer will continue to yield success by bringing greater awareness and recognition to consumers.
- This promotion led to the sudden growth in sales in the retail and HRI sector.
- Olé sales figures during the promotion provide details about local consumer preferences for U.S. craft beers. The figures will also support future promotion plans and provide guidance on introducing new U.S. craft beer brands into China's retail sector.

3) Past efforts: This seemingly overnight success did not happen in 2012 alone. ATO Guangzhou started promoting U.S. craft beer since early 2011. On March 17, St. Patrick's Day, ATO Guangzhou and Brewers Association, U.S.A (BA) jointly hosted an American Craft Beer media seminar and consumer promotional event in the China Marriott Hotel. Approximately 50 attendees including traders, retailers, hotel food and beverage directors, and media outlets attended the press seminar. During the event, attendees learned about the Irish American experience and cultural aspects of beer drinking by U.S. Consulate's American staff. After the event, over 300 consumers attended the open St. Patrick's Day celebration featuring U.S. craft beers. The event was co-sponsored by the American Chamber of Commerce South China and the European Chambers of Commerce. ATO Guangzhou also promoted U.S. craft beers at a U.S. hardwood and soft wood industry reception on March 29, 2011 to an audience of over 100.

Here are some suggestions to keep the momentum going and achieve greater success in 2013:

- **Hire in-store promoters:** For those beers on the retail shelves, U.S. suppliers, importers and

distributors should conduct more in-store activities to support sales and hold consumer education panels designed to train in-store promoters.

- **Seminars:** In April 2013, BA should organize a bar owner/F&B manager seminar and media events to prepare the trade and market for summer U.S. craft beer promotions.
- **Blind tastings:** The key is to differentiate U.S. craft beer from other imported beers and to strengthen branding with local consumers. Activities such as blind tasting competitions and food pairing events could also be considered during restaurant events such as Guangzhou Restaurant Week or other culinary promotions.
- **Branding with the U.S. Consulate:** In July, ATO Guangzhou will look for opportunities to include U.S. craft beers in U.S. Consulate Independence Day events to support the association with the U.S. brand and exposure to a broader audience beyond bars and supermarket retail. Online and group sales are an area that has yet to be exploited.
- **Summer Promotions:** In August-September, traders should participate in retail in-store promotions with alcohol and spirits shops as well as in local bars and restaurants. U.S. craft beer should differentiate and position itself above other imported beers.
- **Buyers Mission:** BA should prepare a delegation consisting of media and trade representatives to visit U.S. microbrewers. China has limited knowledge about the U.S. micro brewing industry and knowledge of U.S. “gastro-pubs” or trendy “beer-bistros”.
- **Catering to the local palate:** Introduce more products that are favored by local consumers. Here are a few examples:
 1. **Fruit-forward flavors:** These flavors pair well with heavier flavored dishes and are more welcoming than bitter tastes by the local patrons.
 2. **Heath benefits:** Ginger and ginseng are considered healthy ingredients in China, although, food and beverage containing ginseng ingredients may need to apply for a special permit if the content exceeds the standard set by China’s State Food and Drug Administration. Visit <http://www.fws.gov/international/plants/american-ginseng.html> for more information. Also products with no additives or low on preservatives will be preferred by local consumers suspicious of artificial enhancers that could pose a threat to their health.
 3. **Special water:** Chinese consumers are willing to pay a premium for beer made from spring or deep underground water. These marketing claims play well with local consumers.
- **Contact ATO Guangzhou:** According to BA’s reports, the top craft beer producing U.S. states include California (238 breweries); Washington (121); Oregon (118); Colorado (114); Michigan (85); Pennsylvania (72); and Wisconsin (67). Producers and exporters in those States or others

should contact ATO Guangzhou to see how their products fit into upcoming promotions we are planning.

- **Cold Chain Service Providers:** BA's China in-country representative should help importers seek reliable and efficient cold chain service providers since most craft beers have relatively short shelf lives.

Conclusion: In summary, China is the largest beer producer and also has the largest number of beer drinkers in the world. As the Chinese currency strengthens (when compared to the U.S. dollar) and the economy expands, many new consumers will begin to purchase imported beer with higher frequency. According to past promotions, local beer drinkers are responding positively to news about the diversity created by the U.S. micro brewing/culinary industry. According to BA, the industry currently provides an estimated 104,000 full-time and part-time jobs, significantly contributing to the U.S. economy. "The United States has resources and China has the market".